

## Alcohol and Tobacco Tax and Trade Bureau, Treasury

§ 19.167

(a) Operations bond for a single plant operating as a:	Required penal sum represents:	The penal sum must be:	
		Not less than—	and need not be more than—
(11) Distiller and processor with adjacent bonded wine cellar.	The amount required for a distiller & processor (see paragraph (a)(5). above) plus the amount of tax on wines and wine spirits possessed on, and in transit to, the adjacent wine cellar.	11,000	250,000
(12) Distiller, warehouseman and processor with adjacent bonded wine cellar.	The amount required for a distiller-warehouseman-processor (see paragraph (a)(8). above) plus the amount of tax on wines and wine spirits possessed on, and in transit to, the adjacent wine cellar.	16,000	300,000
(b) Area operations bond for two or more plants whose combined required penal sums under paragraph (a) of this section:	Required penal sum is:	But need not be more than:	
(1) Do not exceed \$300,000 .....	100% .....	\$300,000	
(2) Exceed \$300,000 but do not exceed \$600,000 .....	\$300,000 plus 70% of the amount over \$300,000 .....	510,000	
(3) Exceed \$600,000 but do not exceed \$1,000,000 ....	\$510,000 plus 50% of the amount over \$600,000 .....	710,000	
(4) Exceed \$1,000,000 but do not exceed \$2,000,000 ....	\$710,000 plus 35% of the amount over \$1,000,000 ....	1,060,000	
(5) Exceeds \$2,000,000 .....	\$1,060,000 plus 25% of the amount over \$2,000,000.		
(c) Withdrawal bond for:	Required penal sum represents:	The penal sum must be:	
		Not less than—	and need not be more than—
(1) One distilled spirits plant	The amount of tax which, at any one time, is chargeable against such bond, but has not yet been paid.	\$1,000 .....	\$1,000,000.
(2) Two or more distilled spirits plants.	Sum of the penal sums for each plant calculated in paragraph (c)(1) of this section.	$(\$1,000) \times (\text{number of plants}).$	$(\text{Number of plants}) \times \$1,000,000.$
(d) Unit bond for:	Required penal sum represents:	The penal sum must be:	
		Not less than—	and need not be more than—
(1) Operations at one distilled spirits plant (including any adjacent bonded wine cellar), and withdrawals from the bonded premises of the same plant.	An amount equal to the sum of the required penal sums of an operations bond and a withdrawal bond for the plant, if such bonds were obtained separately. (See paragraphs (a) and (c)(1) in this section.).	\$6,000 .....	\$1,300,000.
(2) Operations at two or more distilled spirits plants (including any adjacent bonded wine cellars), and withdrawals from the bonded premises of the same plants.	An amount equal to the sum of the penal sums of an area operations bond and withdrawal bonds needed for all of the covered plants, if such bonds were obtained separately. (Total penal sums of paragraphs (b) and (c)(2) in this section.).	Sum of the minimum penal sums for operations and withdrawal bonds required for each plant covered by the bond.	Sum of the maximum penal sums for area operations bonds and withdrawal bonds required for the plants covered by the unit bond.

(26 U.S.C. 5173)

### § 19.167 Increase of bond coverage.

(a) *When required.* If the penal sum of a bond is less than the maximum amount specified by § 19.166, and liabilities increase to the point where they exceed the bond coverage, the proprietor must increase the amount of the bond to cover the increased liability. The proprietor must increase the bond coverage either by replacing the existing bond with a new, larger bond that covers the entire liability, or by

supplementing the existing bond with a separate strengthening bond in accordance with paragraph (b) of this section.

(b) *Strengthening bonds.* A strengthening bond is a second bond with the same surety as on the original bond which covers the increased liability. A strengthening bond must show both its execution date and its effective date. TTB will not accept a strengthening bond if it contains any term or condition that is a release, or could be interpreted as a release, from liability under any former bond, or that limits

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the liability of any bond to less than its full penal sum.

(26 U.S.C. 5173)

### § 19.168 Superseding bonds.

(a) *General.* In any of the circumstances outlined in paragraphs (b) through (d) of this section, the proprietor must replace an existing bond with a new bond. A new bond that replaces another bond is called a superseding bond.

(b) *Surety company no longer acceptable.* The proprietor must file a superseding bond if the surety on the proprietor's current bond becomes insolvent or if the surety is removed from the list of approved sureties in Treasury Circular 570. TTB may also require the filing of a superseding bond if any other contingency affecting the validity or efficiency of the bond arises.

(c) *Change of control.* An executor, administrator, assignee, receiver, trustee, or other person acting in a fiduciary capacity, continuing or liquidating the business of the principal on a bond, must either provide TTB with a superseding bond, or obtain consent from the surety on each existing bond when assuming control of the business.

(d) *Termination of bond by surety.* If the surety applies to terminate a bond under § 19.171, and the proprietor wishes to continue the activity covered by the bond, the proprietor must file a superseding bond that becomes effective on or before the termination date of the existing bond. The superseding bond must show both its execution date and its effective date.

(26 U.S.C. 5173, 5175, 5176, 5551)

### § 19.169 Effect of failure to furnish a superseding bond.

(a) *Operations bond.* A person may not operate a distilled spirits plant without an operations bond. If a person does not submit an acceptable superseding operations bond when required to do so under § 19.168, the person must immediately discontinue the activities to which the lapsed bond coverage relates upon lapse of the existing bond coverage.

(b) *Withdrawal bond.* A person who does not submit an acceptable superseding withdrawal bond when required

to do so under § 19.168 may not withdraw distilled spirits from the bonded premises on a deferred basis. Upon lapse of the existing bond coverage the person must pay the tax at the time of withdrawal, except in the case of distilled spirits withdrawn free of tax or withdrawn without payment of tax under 26 U.S.C. 5214 or withdrawn exempt from tax under 26 U.S.C. 7510.

(c) *Unit bond.* A person who does not provide an acceptable superseding unit bond when required to do so under § 19.168 must immediately discontinue the business or distilled spirits operations to which the lapsed bond coverage relates. Upon lapse of the existing bond coverage the person must also pay the tax at the time of withdrawal, except in the case of distilled spirits withdrawn free of tax or withdrawn without payment of tax under 26 U.S.C. 5214 or withdrawn exempt from tax under 26 U.S.C. 7510.

(26 U.S.C. 5173, 5175, 5176)

### § 19.170 Termination of bonds.

Liability under operations bonds, withdrawal bonds, and unit bonds may be terminated for future withdrawals, future production, or future deposits as set forth below:

(a) *On application by the surety.* A surety may terminate a bond by filing a notice as provided in § 19.171;

(b) *By replacement of the bond.* A principal may terminate an existing bond by replacing it with a superseding bond approved by TTB;

(c) *By discontinuing withdrawals.* A principal may terminate a withdrawal bond by notifying TTB that the principal has stopped making withdrawals covered by the bond, if the bond was filed solely as a withdrawal bond; or

(d) *By discontinuing the business.* A principal may terminate a bond by notifying TTB that the principal has discontinued business.

(26 U.S.C. 5173)

### § 19.171 Surety notice of relief from bond liability.

(a) *Notice to principal.* A surety on a bond may, at any time, notify the principal in writing that the surety desires to be relieved of liability under the bond.